

## Message Text

UNCLASSIFIED

PAGE 01 GUATEM 02700 271638Z

47

ACTION ARA-10

INFO OCT-01 ISO-00 AID-05 L-03 EB-07 COME-00 IGA-01 ARAE-00

TRSE-00 XMB-04 OMB-01 /032 W

----- 076286

P 232345Z MAY 75

FM AMEMBASSY GUATEMALA

TO SECSTATE WASHDC PRIORITY 6857

UNCLAS GUATEMALA 2700

E.O. 11652: N/A

SUBJECT: LOAN 520-L-019 - RURAL ELECTRIFICATION

1. AS PART OF THE RURAL ELECTRIFICATION PROJECT PARTIALLY FINANCED UNDER THE SUBJECT LOAN, NINE SUBSTATIONS FOR TRANSFORMING AND SWITCHING ARE BEING INSTALLED IN VARIOUS PARTS OF GUATEMALA UNDER TWO CONTRACTS TOTALING \$2.9 MILLION BETWEEN THE NATIONAL ELECTRIFICATION INSTITUTE (INDE) AND THE CORPORACION ELECTROTECNICA LATINOAMERICANA (CELA). ONE OF THESE CONTRACT IS FINANCED WITH LOAN FUNDS (\$1.3 MILLION) AND THE OTHER IS FINANCED WITH GOG FUNDS (\$1.6 MILLION). RECENTLY, INDE PROPOSED THAT THE AID FINANCED CONTRACT BE INCREASED TO INCLUDE A TENTH SUBSTATION TO BE LOCATED IN THE DEPARTMENT OF SAN MARCOS. THE MISSION INTENDS TO APPROVE THE PROPOSAL, SINCE THE SUBSTATION, WHICH IS REFERRED TO IN THE CAPITAL ASSISTANCE PAPER AND THE LOAN AGREEMENT AS AN ADDITION TO THE EL PORVENIR HYDROELECTRIC PLANT, WILL FORM AN INTEGRAL PART OF THE RURAL ELECTRIFICATION NETWORK IN WESTERN GUATEMALA. HOWEVER, BEFORE DOING SO, AN INDEPENDENT CONFIRMATION THAT THE PRICE QUOTED BY CELA IS REASONABLE IS NECESSARY.

2. THE PROCUREMENT OF THE SAN MARCOS SUBSTATION WILL BE ON A PROPRIETARY BASIS SINCE, FOR THE PURPOSE OF STANDARIZATION, THE MAIN TRANSFORMERS AND CONTROL EQUIPMENT INSTALLED AT ALL SUBSTATIONS SHOULD BE SUPPLIED BY THE SAME MANUFACTURER. GENERAL ELECTRIC IS THE MANUFACTURER OF ALL THE MAIN TRANSFORMERS AND CONTROL EQUIPMENT IN THE NINE SUBSTATIONS CONTRACTED TO DATE. IN ORDER TO INSURE THE INTERCHANGEABILITY OF PARTS AND TO PERMIT UNIFORM OPERATING PROCEDURES, THIS SUPPLIER IS THE ONLY

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 GUATEM 02700 271638Z

COMPANY FROM WHOM ACCEPTABLE EQUIPMENT CAN BE OBTAINED FOR THE

SAN MARCOS SUBSTATION. PRIMARILY ON THE BASIS OF INFORMATION SUPPLIED BY GENERAL ELECTRIC, CELA HAS QUOTED A PRICE OF \$329,560 FOR THE SAN MARCOS SUBSTATION. THIS PRICE INCLUDES THE ITEMS LISTED BELOW.

DESCRIPTION	QUANTITY	PRICE
2500 KVA TRANSFORMER (34.5/13.2 KV)	1	32,600
34.5 KV SWITCHING UNITS	2	25,980
13.2 KV TYPE B RECLOSERS	4	25,200
34.5 KV POTENTIAL TRANSFORMERS	4	7,940
13.2 KV POTENTIAL TRANSFORMERS	3	1,440
46 KV SWITCHING/GROUNDING UNIT	1	4,750
69 KV SERIES SWITCHES	2	7,780
46 KV SERIES SWITCHES	4	11,040
13.2 KV SERIES SWITCHES	4	9,560
13.2 KV KNIGE SWITCHES	24	3,024
69 KV LIGHTNING ARRESTORS	6	3,540
34.5 KV LIGHTNING ARRESTORS	12	432
13.2 KV LIGHTNING ARRESTORS	3	525
46 KV POWER FUSES	4	1,548
13.2 KV POWER FUSES	4	988
25 KVA SERVICE TRANSFORMER	1	425
GROUND NETWORK		5,750
CABLE, INSULATORS AND ACCESSORIES		9,650
METAL STRUCTURES (31 TONS)		42,470
CONTROL EQUIPMENT		38,148
OUTDOOR LIGHTING		3,600
BATTERIES		8,890
TRANSPORTATION		56,150
ERECTION AND INSTALLATION		28,130
TOTAL		\$329,560

3. THE EQUIPMENT PRICES LISTED ABOVE INCLUDE A MARKUP OVER MANUFACTURERS' PRICES WHICH REPRESENTS CELA'S OVERHEAD AND PROFIT. CELA HAS PROVIDED INFORMATION ON PRICES QUOTED BY MANUFACTURERS AND A REVIEW OF THIS INFORMATION INDICATES THAT ITS MARGIN ON THE SALE WORKS OUT TO A MODERATE 10.7 PERCENT. THE NINE OTHER SUBSTATIONS ALREADY UNDER CONTRACT HAVE PRICES RANGING FROM \$180,000 TO \$486,000. THE ONE THAT IS MOST SIMILAR TO THE PROPOSED SAN MARCOS SUBSTATION HAS A PRICE OF \$225,306. THIS SUBSTATION IS LOCATED IN THE DEPARTMENT OF QUICHE, AND UNCLASSIFIED

UNCLASSIFIED

PAGE 03 GUATEM 02700 271638Z

THE SITE IS ONLY ABOUT HALF AS FAR AWAY FROM GUATEMALA CITY AS IS THE SAN MARCOS SITE. IT WOULD BE NOTED THAT THE QUICHE SUBSTATION INCLUDES FEWER EQUIPMENT ITEMS AND THAT CELA SUBMITTED ITS BID FOR THIS JOB NEARLY THREE YEARS AGO, IN JUNE 1972. THOUGH THE TWO SUBSTATIONS ARE SOMEWHAT SIMILAR, AN OVERALL PRICE COMPARISON IS NOT MEANINGFUL BECAUSE OF THE SIGNIFICANT DIFFERENCES JUST MENTIONED. THE LARGEST SINGLE EQUIPMENT ITEM COMMON TO BOTH SUBSTATIONS, NAMELY THE 2500

KVA TRANSFORMER. CAN BE COMPARED HOWEVER, AND IN THIS CASE THE PRICE INCREASE OVER THE THREE YEAR PERIOD AMOUNTS TO 20 PERCENT, WHICH IMPLIES A MODEST 6 PERCENT ANNUAL INFLATION RATE.

4. THE MISSION IS OF THE OPINION THAT THE FOREGOING ANALYSIS DEMONSTRATES THAT THE PRICE QUOTED BY CELA IS REASONABLE AND ADEQUATELY JUSTIFIED. ACCORDINGLY, WE INTEND TO GRANT A PROVISIONAL APPROVAL OF INDE'S PROPOSAL IN ORDER TO RESERVE FUNDS FOR THE PROJECT. OUR FINAL APPROVAL WILL BE ISSUED UPON RECEIPT OF AID/W CONCURRENCE.

5. THE FINAL MATTER REGARDING THE PROPOSAL CONCERNS THE DELIVERY PERIOD. SINCE THE SPECIFICATIONS OF THE MAIN EQUIPMENT ITEMS ARE NON-STANDARD, THESE ITEMS WILL HAVE TO BE CUSTOM MADE. ACCORDINGLY, THE DELIVERY PERIOD WILL BE 18 MONTHS BEGINNING WITH THE EXECUTION OF THE CONTRACT AMENDMENT. THIS DELIVERY PERIOD WILL NECESSITATE A 13-MONTH EXTENSION OF THE TERMINAL DISBURSEMENT DATE OF THE LOAN TO DECEMBER 31, 1976.

6. THE MISSION APPRECIATES THAT A 13-MONTH EXTENSION REPRESENTS A SUBSTANTIAL LENGTHENING OF THE DISBURSEMENT PERIOD OF THE LOAN. WE ARE CONVINCED HOWEVER THAT THE EXTENSION IS WELL JUSTIFIED IN VIEW OF THE IMPORTANCE OF THE SUBSTATION TO THE RURAL ELECTRIFICATION NETWORK. IT SHOULD BE RECOGNIZED THAT INDE'S PERFORMANCE TO DATE IN EXECUTING THE PROJECT HAS BEEN EXCELLENT AND THAT NO EXTENSION OF THE TERMINAL COMMITMENT DATE HAS BEEN REQUESTED. FINALLY, IT SHOULD BE NOTED THAT THE REASON INDE HAS NOT ADVANCED ITS PROPOSAL UNTIL RECENTLY IS BECAUSE IT EXPECTED THAT ITS IFB NO. 11-74 FOR ELECTRICAL MATERIALS WOULD RESULT IN CONTRACTS TOTALING \$1 MILLION. HOWEVER, THE ANALYSIS OF TENDERS SUBMITTED UNDER THIS IFB INDICATES THAT THE CONTRACTS WILL ONLY TOTAL ABOUT \$700,000.

UNCLASSIFIED

UNCLASSIFIED

PAGE 04 GUATEM 02700 271638Z

THIS LOWER THAN EXPECTED FINANCING REQUIREMENT FOR ELECTRICAL MATERIALS PRESENTS AN OPPORTUNITY FOR ACCELERATING THE INSTALLATION OF THE SAN MARCOS SUBSTATION. THE MISSION BELIEVES THIS OPPORTUNITY OUGHT TO BE EXPLOITED BECAUSE IT WILL RESULT IN A SIGNIFICANT IMPROVEMENT IN THE STANDARD OF LIVING OF VILLAGE RESIDENTS IN WESTERN GUATEMALA MUCH SOONER THAT WOULD OTHERWISE HAVE BEEN POSSIBLE.

7. THE MISSION WOULD APPRECIATE AID/W'S PROMPT CONSIDERATION OF THE PROPOSAL DESCRIBED HEREIN AND TIMELY RECEIPT OF CABLE CONCURRENCE IN THE APPROVAL AND IN THE TDD EXTENSION TO DECEMBER 31, 1976.

MELOY

UNCLASSIFIED

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** CONSTRUCTION, EQUIPMENT, PROCUREMENT, RURAL ELECTRIFICATION, PROGRAMS (PROJECTS), ELECTRIC POWER PLANTS, PRICE DATA, LOANS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 23 MAY 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Authority:** n/a  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
**Disposition Date:** 01 JAN 1960  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1975GUATEM02700  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D750185-0016  
**From:** GUATEMALA  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1975/newtext/t19750524/aaaaavfn.tel  
**Line Count:** 167  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION ARA  
**Original Classification:** UNCLASSIFIED  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 4  
**Previous Channel Indicators:** n/a  
**Previous Classification:** n/a  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** CunninFX  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 24 JUL 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <24 JUL 2003 by maginmm>; APPROVED <03 FEB 2004 by CunninFX>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
05 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** LOAN 520-L-019 - RURAL ELECTRIFICATION  
**TAGS:** EAID, EFIN, EAGR, GT, US  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006